

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 NSCE-00  
SSO-00 USIE-00 INRE-00 TRSE-00 /052 W  
-----231039Z 052719 /21

O P 231020Z MAR 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 1844

INFO SECDEF IMMEDIATE

AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY ROME PRIORITY

USMISSION EC BRUSSELS PRIORITY

USMISSION NATO BRUSSELS PRIORITY

USMISSION OECD PARIS PRIORITY

AMCONSUL BELFAST

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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 04783

E.O. 11652: GDS

TAGS: PGOV, PINT, UK

SUBJECT: CALLAGHAN LOOKS LIKE A WINNER

REF. LONDON 4696

SUMMARY. PRIME MINISTER CALLAGHAN, NOT SURPRISINGLY, IS  
PUTTING A BRAVE PUBLIC FACE ON THE GOVERNMENT'S PROSPECTS  
FOR VICTORY IN THIS EVENING'S(ARCH 23) CONFIDENCE VOTE,  
AND IS SEEKING TO PROJECT AN IMAGE OF CONTROL AND MODER-  
ATION. OUR SOURCES IN THE LABOR PARTY ARE SOUNDING THE  
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SAME CHORD. NEGOTIATIONS WITH THE LIBERALS AND ULSTER  
UNIONISTS HAVE REACHED THEIR FINAL STAGES, RETAINING  
THEIR EARLIER PROMISE. THE SCOTTISH LABOR PARTY (SLP),  
HOWEVER, IS LIKELY TO GET SHORT SHRIFT FROM THE GOVERN-  
MENT. THE OTHER NI VOTES, AT THIS POINT, ARE BEHIND THE  
GOVERNMENT. CONSERVATIVE VIEWS GENERALLY REFLECT PRE-  
VAILING EXPECTATIONS. IT REMAINS PROBABLE THAT THE

GOVERNMENT WILL WIN TONIGHT'S CONFIDENCE VOTE -- PERHAPS BY A MARGIN OF FROM 10 TO 30 VOTES -- EASING THE PARLIAMENTARY SITUATION FOR AT LEAST A FEW MONTHS. END SUMMARY.

1. OUTWARDLY AT LEAST, THE GOVERNMENT SEEMED CONFIDENT OF VICTORY IN TONIGHT'S CONFIDENCE VOTE. AT QUESTION TIME MARCH 22, CALLAGHAN AND THE OPOSITION FRONTBENCH PLAYED TO A FULL HOUSE. THE PM WAS CHEERED LOUDLY BY HIS PARTY AS HE STEPPED TO THE DISPATCH BOX TO FIELD QUESTIONS, AND ASSURED HIS SUPPORTERS THAT THEY NEED NOT WORRY ABOUT A GENERAL ELECTION. THE BOISTEROUS EXCHANGE THAT FOLLOWED OFTEN BORE LITTLE RELATION TO THE QUESTIONS, BUT CALLAGHAN APPEARED SUPREMELY CONFIDENT, SKILLFULLY TURNING BACK THE TENTATIVE ATTACKS OF CONSERVATIVE LEADER THATCHER AND HER COLLEAGUES. AS THE SESSION CONCLUDED, CALLAGHAN LEFT THE CHAMBER WITH THE NOISY APPROBATION OF HIS LABOR COLLEAGUES. DESPITE VIGOROUS SUPPORT FROM HER OWN BENCHES, MRS. THATCHER'S PERFORMANCE CONTRASTED SHARPLY WITH THAT OF LAST THURSDAY WHEN SHE THOUGHT SHE HAD THE GOVERNMENT ON THE RUN. CALLAGHAN FOLLOWED UP WITH AN EFFECTIVE TV NEWS APPEARANCE. PROJECTING A CONFIDENT, AVUNCULAR IMAGE, HE PROFESSED UNDERSTANDING AND APPRECIATION FOR THE LIBERALS' POSITION WHEN RESPONDING TO QUESTIONS ON THEIR DISCUSSIONS. APPEARING TO USE THE MEDIUM TO INCREASE PRESSURE ON THE LIBERALS, HE: ACKNOWLEDGED THE GOVERNMENT'S MINORITY POSITION WOULD PRECLUDE ENACTMENT OF SOME OF LABOR'S REMAINING MANIFESTO COMMITMENTS; CONFIDENTIAL

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EXPRESSED HIS DESIRE TO HAVE SUFFICIENT TIME FOR THE GOVERNMENT'S ECONOMIC POLICIES TO TAKE HOLD; SUGGESTED THE GOVERNMENT COULD COLLABORATE WITH THE LIBERALS AND THAT ANY AGREEMENT WOULD BE OPEN AND ABOVE BOARD; AND HOPED THAT ANY AGREEMENT WOULD ENDURE FOR SOME TIME. IF, HOWEVER, ELECTIONS PROVED NECESSARY, HE VOICED CONFIDENCE THAT LABOR WOULD ACQUIT ITSELF WELL.

2. OUR LABOR PARTY SOURCES ARE CAUTIOUSLY OPTIMISTIC THE GOVERNMENT WILL WIN THE CONFIDENCE VOTE. AN ACCOMMODATION WITH THE LIBERALS, WHICH ALL CONSIDER LIKELY, IS THE PREFERRED AND MOST VIABLE ARRANGEMENT FROM LABOR'S VIEWPOINT, BUT AN AGREEMENT WITH THE ULSTER UNIONISTS ALSO LOOKS PROMISING. ENOCH POWELL AND JAMES MOLYNEAUX, THEY BELIEVE, WILL CARRY THEIR COLLEAGUES, THOUGH THERE ARE SERIOUS DIVISIONS WITHIN THIS GROUP WHICH COULD PREVENT ITS VOTING AS A BLOC. CURIOUSLY ENOUGH, SOME LABORITES BELIEVE THE GOVERNMENT'S MISCALCULATIONS WHICH PRECIPITATED THE CURRENT CRISIS WERE FORTUNATE. THEY

SUSPECT MRS. THATCHER WOULD HAVE PREFERRED TO WAIT UNTIL  
JUNE TO MAKE HER BID FOR POWER -- HENCE HER INITIAL DELAY  
IN BRINGING FORWARD THE CENSURE MOTION -- WHEN THE  
CONSERVATIVE CHANCES IN PARLIAMENT AND IN A GENERAL  
ELECTION WOULD PROBABLY HAVE BEEN BETTER (TORV MP EDWARD

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O P 231020Z MAR 77  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC IMMEDIATE 1845  
INFO SECDEF IMMEDIATE  
AMEMBASSY BONN PRIORITY  
AMEMBASSY BRUSSELS PRIORITY  
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 04783

DU CANN ADVANCED THE SAME THESIS IN A CONVERSATION WITH  
AN EMBOFF). ALTHOUQH OUR SOURCES CONTINUED TO NOTE  
THAT NO AGREEMENTS HAD BEEN FIRMED UP, THEY WERE INCREAS-  
INQLY BULLISH ABOUT THE GOVERNMENT'S PROSPECTS.

3. THE LIBERALS' NEGOTIATIONS WITH THE GOVERNMENT HAVE  
REACHED A CRITICAL AND DELICATE JUNCTURE. DURING THE

COURSE OF MARCH 22, LIBERAL LEADER STEEL  
MET WITH CALLAGHAN THREE TIMES AND SENT HIM TWO WRITTEN  
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COMMUNICATIONS. PUBLICLY, LIBERAL MPS WERE REFLECTING

JEREMY THORPE AT MID-DAY TOLD THE PRESS CALLAGHAN HAD  
"OFFERED NOTHING", WHILE CYRIL SMITH LATER TOLD TV NEWS-  
MEN THAT HE WAS HEARTENED BY CALLAGHAN'S STATEMENTS ON  
THAT MEDIUM (SEE ABOVE). THE MAJOR UNRESOLVED ISSUE  
APPEARS TO BE AGREEMENT ON A MECHANISM TO GIVE THE  
LIBERALS FORMAL CONSULTATIVE RIGHTS ON THE GOVERNMENT'S  
POLICY AND LEGISLATIVE PROPOSALS.

4. THE ULSTER UNIONISTS, CONSCIOUS OF BEING LEFT BEHIND,  
CAUCUSED AND MET WITH LEADER OF THE HOUSE MICHAEL FOOT.  
INDICATIONS ARE THAT THEY WISH TO UP THE ANTE TO INCLUDE  
SOME SPECIFIC COMMITMENTS ON SECURITY. AS FAR AS WE ARE  
ABLE TO DETERMINE, THE GOVERNMENT'S EARLIER OFFER OF  
ADMINISTRATIVE DEVOLUTION AND INCREASED REPRESENTATION  
IN PARLIAMENT IS CLOSE TO ITS MAXIMUM OFFER. IF THE  
GOVERNMENT IS UNWILLING TO YIELD MORE ON THE SECURITY  
FRONT -- AS WE EXPECT WILL BE THE CASE -- SEVERAL UNION-  
IST MPS MAY ABSTAIN OR EVEN VOTE AGAINST THE GOVERNMENT,  
BUT EVEN SO THE BULK OF THE 8-MEMBER "OFFICIAL" UNIONIST  
BLOC IS EXPECTED TO ENTER THE GOVERNMENT LOBBY TONIGHT.

5. THE GOVERNMENT HAS NOT CLOSED THE DOOR ON AN  
ACCOMMODATION WITH THE SCOTTISH LABOR PARTY (SLP), BUT  
IT IS IN NO HURRY TO MAKE A DEAL. VARIOUS LABOR  
SOURCES SUGGEST THAT THE GOVERNMENT WILL LEAVE THE 2  
SLP MPS TO THEIR OWN DEVICES IF IT REACHES AGREEMENT WITH  
THE LIBERALS AND/OR THE UNIONISTS. BELIEVING THE SCOTTISH  
SPLINTER GROUP IS PLAYING A VERY WEAK HAND -- THE SLP  
SIMPLY CANNOT FACE ELECTIONS AT THIS TIME. THE GOVERN-  
MENT, FOR ITS PART, CAN SEE LITTLE REASON TO GIVE ANY-  
THING TO A PARTY THAT MAY SPOIL ITS CHANCES IN SEVERAL  
SCOTTISH CONSTITUENCIES. SEVERAL LABOR SOURCES BELIEVE  
THE SLP WILL ABSTAIN OR VOTE WITH THE GOVERNMENT IF IT  
APPEARS THERE IS ANY CHANCE OF A TORY VICTORY. THE SDLP  
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AND NI INDEPENDENT VOTES APPEAR FIRMLY COMMITTED TO THE  
GOVERNMENT, THOUGH THEY COULD COME UNSTUCK IF AN  
ARRANGEMENT WITH UNIONISTS IS PERCEIVED AS CEDING TOO  
MUCH.

6. CONSERVATIVE LEADERS HAVE REFRAINED FROM COMMENTING PUBLICLY ON THE STATE OF PLAY. AS FAR AS WE ARE ABLE TO DETERMINE, THEY HAVE STILL NOT ENTERED THE POLITICAL TRADING MARKET, THOUGH CONTACTS WITH THE ULSTER UNIONISTS HAVE BEEN REPORTED. NOT SURORISINGLY, MOST TORY SOURCES ARE NOW PESSIMISTIC ABOUT THEIR CHANCES OF UNSEATING THE GOVERNMENT' THOUGH THEY TOO REALIZE THAT THE GOVERNMENT AS YET HAS NO FIRM AGREEMENTS WITH THE MINOR OARTIES. WE DID. HOWEVER, FIND ONE MEMBER OF THE OPPOSITION WHIPS. OFFICE WHO PROFESSES TO BELIEVE A CONSERVATIVE VICTORY -- AND A GENERAL ELECTION -- IS PROBABLE.

7. COMMENT. THE GOVERNMENT.S NEGOTIATIONS WITH THE LIBERALS AND THE UNIONISTS HAVE REACHED THEIR FINAL STAGES AND SHOULD BE CONCLUDED IN THE FORENOON TODAY (MARCH 23). ALTHOUGH NO DEALS HAVE BEEN STRUCK, AND THE POSSIBILITY OF FAILURE REMAINS, THERE IS A HIGH PROBABILITY THAT ACCOMMODATIONS WITH ONE OR BOTH PARTIES WILL BE FIRMED UP AT WHAT FROM THE GOVERNMENT'S STANDPOINT IS A REASONABLE POLITICAL COST. LABOR.S LEFT FLANK, AS WE HAVE REPORTED PREVIOUSLY, APPEARS SECURE. IF ALL GOES AS ANTICIPATED, THE GOVERNMENT WILL WIN TONIGHT'S VOTE BY A MARGIN OF FROM 10 TO 30 VOTES.

8. THE BEHAVIOR OF THE FOREIGN EXCHANGE AND SECURITIES MARKETS HAS PROVIDED ANOTHER IRONIC COUNTERPOINT TO THE CURRENT POLITICAL CRISIS. EXTREMELY SENSITIVE LAST YEAR TO ANY "EXCESS", REAL OR IMAGINED. OF THE GOVERNMENT OR ITS SUPPORTERS, BOTH MARKETS HAVE MANIFESTED A STRONG AVERSION TO THE PROSPECT OF A GENERAL ELECTION AND AN ANTICIPATED CONSERVATIVE GOVERNMENT. POLITICS DOES  
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## Message Attributes

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**Subject:** CALLAGHAN LOOKS LIKE A WINNER  
**TAGS:** PGOV, PINT, UK, (CALLAGHAN, JAMES)  
**To:** STATE  
**Type:** TE  
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